Cancellation of Licences of Stock Brokers

1971. SHRI S.M. LAL JAN BASHA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that SEBI has cancelled the licence of many stock brokers during the last six months;

(b) if so, the number of brokers who lost their licence due to action by SEBI;

(c) whether any punitive action has been initiated by SEBI;

(d) if not, the reasons for SEBI taking a soft stand against such brokers who violated the rules; and

(e) what further steps SEBI proposes to take to improve the functioning of Stock Exchanges in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) The registration of a stock broker can be cancelled in accordance with the procedure laid down in the Securities and Exchange Board of India (SEBI) (Stock Brokers and Sub Brokers) Regulations, 1992. SEBI has cancelled the registration of 116 stock brokers of various stock exchanges during the period April, 2002 to 31 October, 2002.

(c) SEBI takes punitive action against stock brokers and sub brokers which includes suspension or cancellation of registration based on violation of Rules, Regulations, Circulars and Directives of SEBI, Provisions contained in Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulations) Rules, 1957 etc. Such violations are generally observed during the course of inspection and investigation etc. The purpose of taking punitive action against stock brokers is to bring about greater discipline.

SEBI has taken following action against stock brokers and sub brokers during last 4 years (from 1999-2000 till October 2002):

Year	Warnings	Suspensions	Cancellation
1999-2000	139	59	10
2000-2001	46	3	5
2001-2002	68	19	19
2002-2003 (till October 31, 2002)	70	50	116

(d) In view of (c) above, does not arise.

(e) Some of the steps taken and proposed to be taken by SEBI to improve the functioning of the stock exchanges in the country are:

• Demutualisation of Stock Exchanges

SEBI had constituted a group under the Chairmanship of Justice M.H. Kania, former Chief Justice of India. The main focus of the recommendations of the Committee is to separate the trading membership from the ownership of the stock exchanges and to have a set of independent body govern the stock exchange in a professional manner. The recommendations of the report of the Committee have been accepted by the SEBI board for implementation.

• Inspection of Stock Exchanges

To further strengthen the inspection of stock exchanges and to effectively monitor compliance by the exchanges of the observations made in the inspection reports, a separate inspection division has been set up within SEBI, to focus on inspection and follow-up. The guidance manual for inspection of stock exchanges has been updated.

• Model Rules prescribed for Stock Exchanges

SEBI had constituted a Committee for examining the existing Articles and Memorandum of Association, Rules, Regulations, Bye-laws and Regulations of Stock Exchanges and framing a uniform set of Rules and Bye-laws to be followed by all the stock exchanges. The Committee had submitted the model rules for stock exchanges to SEBI for implementation across the stock exchanges. Some of model rules have already been implemented by the stock exchanges through SEBI Circulars and Directives issued to the stock exchanges.

Pendency of Applications with DCA under Managerial Remunerations

1972. SHRI S. AGNIRAJ:
SHRI MUNAVVAR HASAN:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that a large number of applications are pending